

10 not to renew, or for any information provided or evidence submitted  
 11 at any hearings conducted in connection with reasons for cancellation  
 12 or intent not to renew.

1 SEC. 13. If any provision of this Act or the application of the Act  
 2 to any person or circumstance is held invalid, such invalidity shall not  
 3 affect other provisions or applications of the Act which can be given  
 4 effect without the invalid provision and to this end the provisions of  
 5 this Act are declared to be severable.

Approved February 12, 1970.

## CHAPTER 1249

### INSURANCE HOLDING COMPANIES

S. F. 1203

AN ACT to regulate insurance holding company systems.

*Be It Enacted by the General Assembly of the State of Iowa:*

#### 1 SECTION 1. Definitions.

2 For the purpose of this Act, unless the context otherwise requires:

3 1. Affiliate of, or a person affiliated with, a specific person, shall  
 4 mean a person who directly, or indirectly through one or more inter-  
 5 mediaries, controls, or is controlled by, or is under common control  
 6 with, the person specified.

7 2. The term "commissioner" shall mean the insurance commission-  
 8 er, his deputies, or the insurance department, as appropriate.

9 3. Control, including controlling, controlled by, and under common  
 10 control with, shall mean the possession, direct or indirect, of the  
 11 power to direct or cause the direction of the management and policies  
 12 of a person, whether through the ownership of voting securities, by  
 13 contract other than a commercial contract for goods or nonmanage-  
 14 ment services, or otherwise, unless the power is solely the result of  
 15 an official position with or a corporate office held by the person.  
 16 Control shall be presumed to exist if any person, directly or indirect-  
 17 ly, owns, controls, holds with the power to vote, or holds proxies  
 18 representing, ten percent or more of the voting securities of any  
 19 other person. This presumption may be rebutted by showing that  
 20 control does not exist in fact.

21 4. Insurance holding company system shall consist of two or more  
 22 affiliated persons, one or more of which is an insurer.

23 5. Insurer shall mean a company qualified and licensed by the  
 24 insurance department of Iowa to transact the business of insurance  
 25 in this state by certificate issued pursuant to chapters five hundred  
 26 eight (508), five hundred fifteen (515), five hundred eighteen A  
 27 (518A), and five hundred twenty (520) of the Code, except that it  
 28 shall not include:

29 a. Agencies, authorities or instrumentalities of the United States,  
 30 its possessions and territories, the Commonwealth of Puerto Rico,

31 the District of Columbia, or a state or political subdivision of a state.

32 b. Fraternal benefit societies.

33 c. Nonprofit medical, hospital or dental service associations.

34 6. A "person" is an individual, a corporation, a partnership, an  
35 association, a joint stock company, a trust, an unincorporated or-  
36 ganization, any similar entity or any combination of the foregoing  
37 acting in concert, but shall not include any securities broker per-  
38 forming no more than the usual and customary broker's function.

39 7. A "subsidiary" of a specified person is an affiliate controlled by  
40 such person directly, or indirectly through one or more intermedi-  
41 aries.

42 8. A "securityholder" of a specified person is one who owns any  
43 security of such person, including common stock, referred stock, debt  
44 obligations, and any other security convertible into or evidencing the  
45 right to acquire any of the foregoing.

46 9. The term "voting security" shall include any security convert-  
47 ible into or evidencing a right to acquire a voting security.

## 1 SEC. 2. Subsidiaries of insurers.

2 1. *Authorization.* Any domestic insurer, either by itself or in  
3 cooperation with one or more persons, subject to the limitations set  
4 forth herein or elsewhere in this Act, may organize or acquire one  
5 or more subsidiaries engaged or registered to engage in one or more  
6 of the following businesses or activities:

7 a. Any kind of insurance business authorized by the jurisdiction  
8 in which it is incorporated.

9 b. Acting as an insurance broker or as an insurance agent for its  
10 parent or for any of its parent's insurer subsidiaries or intermediate  
11 insurer subsidiaries.

12 c. Investing, reinvesting or trading in securities for its own  
13 account, that of its parent, any subsidiary of its parent, or any affili-  
14 ate or subsidiary.

15 d. Management of any investment company subject to or reg-  
16 istered pursuant to the Investment Company Act of 1940, as  
17 amended, including related sales and services.

18 e. Acting as a broker dealer subject to or registered pursuant to  
19 the Securities Exchange Act of 1934 as amended.

20 f. Rendering financial services and/or advice to individuals, gov-  
21 ernments, government agencies, corporations, or other organizations  
22 or groups.

23 g. Rendering other services related to the operations of an insur-  
24 ance business including, but not limited to, actuarial, loss prevention,  
25 safety engineering, data processing, accounting, claims, appraisal,  
26 and collection services.

27 h. Ownership and management of assets which the parent corpo-  
28 ration could itself own and manage.

29 i. Acting as administrative agent for a government instrumental-  
30 ity which is performing an insurance function.

31 j. Financing of insurance premiums, agents and other forms of  
32 consumer financing.

33 k. Any other business or service activity reasonably ancillary to  
34 an insurance business.

35 l. Owning a corporation or corporations engaged or organized to

36 engage exclusively in one or more of the businesses specified in para-  
37 graphs *a* to *k* inclusive.

38 2. *Exception.* Nothing contained in subsection one (1) of this  
39 section shall prohibit a domestic insurer, either by itself or in co-  
40 operation with one or more persons, from investing amounts up to a  
41 total of ten percent of surplus in one or more subsidiaries or affili-  
42 ates organized to do any lawful business.

43 3. *Additional investment authority.* In addition to investments in  
44 common stock, preferred stock, debt obligations and other securities  
45 permitted under all other sections of this Title, a domestic insurer  
46 may also:

47 *a.* Invest, in common stock, preferred stock, debt obligations, and  
48 other securities of one or more subsidiaries, amounts which do not  
49 exceed the lesser of ten percent of such insurer's assets or fifty per-  
50 cent of such insurer's surplus as regards policyholders, provided that  
51 after such investments the insurer's surplus as regards policyholders  
52 will be reasonable in relation to the insurer's outstanding liabilities  
53 and adequate to its financial needs. In calculating the amount of such  
54 investments both of the following shall be included:

55 (1) Total net monies or other consideration expended and obliga-  
56 tions assumed in the acquisition or formation of a subsidiary, includ-  
57 ing all organizational expenses and contributions to capital and sur-  
58 plus of such subsidiary whether or not represented by the purchase  
59 of capital stock or issuance of other securities.

60 (2) All amounts expended in acquiring additional common stock,  
61 preferred stock, debt obligations, and other securities and all contri-  
62 butions to the capital or surplus, of a subsidiary subsequent to its  
63 acquisition or formation.

64 *b.* If the insurer's total liabilities, as calculated for National Asso-  
65 ciation of Insurance Commissioners annual statement purposes, are  
66 less than ten percent of assets, invest any amount in common stock,  
67 preferred stock, debt obligations, and other securities of one or more  
68 subsidiaries, provided that after such investment the insurer's sur-  
69 plus as regards policyholders, considering such investment as if it  
70 were a disallowed asset, will be reasonable in relation to the insurer's  
71 outstanding liabilities and adequate to its financial needs.

72 *c.* Invest any amount in common stock, preferred stock, debt obli-  
73 gations and other securities of one or more subsidiaries provided  
74 that each such subsidiary agrees to limit its investments in any asset  
75 so that such investments will not cause the amount of the total in-  
76 vestment of the insurer to exceed any of the investment limitations  
77 specified in paragraph *a* of this subsection or in chapters five hun-  
78 dred eleven (511), five hundred fifteen (515), five hundred eighteen  
79 A (518A), and five hundred twenty (520) of the Code applicable to  
80 the insurer. For the purpose of this paragraph, "total investment of  
81 the insurer" shall include both:

82 (1) Any direct investment by the insurer in an asset.

83 (2) The insurer's proportionate share of any investment in an  
84 asset by any subsidiary of the insurer, which shall be calculated by  
85 multiplying the amount of the subsidiary's investment by the per-  
86 centage of the insurer's ownership of such subsidiary.

87 *d.* With the approval of the commissioner, invest any amount in

88 common stock, preferred stock, debt obligations, or other securities  
89 of one or more subsidiaries, provided that after such investment the  
90 insurer's surplus as regards policyholders will be reasonable in rela-  
91 tion to the insurer's outstanding liabilities and adequate to its  
92 financial needs.

93 e. Invest any amount in the common stock, preferred stock, debt  
94 obligations, or other securities of any subsidiary exclusively engaged  
95 in holding title to or holding title to and managing or developing  
96 real or personal property, if after considering as a disallowed asset  
97 so much of the investment as is represented by subsidiary assets  
98 which if held directly by the insurer would be considered as a dis-  
99 allowed asset, the insurer's surplus as regards policyholders will be  
100 reasonable in relation to the insurer's outstanding liabilities and  
101 adequate to its financial needs, and if following such investment all  
102 voting securities of such subsidiary would be owned by the insurer.

103 4. *Exemption from investment restrictions.* Investments in com-  
104 mon stock, preferred stock, debt obligations or other securities of  
105 subsidiaries made pursuant to subsection three (3) of this section  
106 hereof shall not be subject to any of the otherwise applicable restric-  
107 tions or prohibitions contained in the Code applicable to such invest-  
108 ments of insurers.

109 5. *Qualification of investment: when determined.* Whether any  
110 investment pursuant to subsection three (3) of this section meets  
111 the applicable requirements thereof is to be determined immediately  
112 after such investment is made, taking into account the then out-  
113 standing principal balance on all previous investments in debt obli-  
114 gations, and the value of all previous investments in equity securities  
115 as of the date they were made.

116 6. *Cessation of control.* If an insurer ceases to control a subsidi-  
117 ary, it shall dispose of any investment therein made pursuant to this  
118 section within three years from the time of the cessation of control  
119 or within such further time as the commissioner may prescribe,  
120 unless at any time after such investment shall have been made, such  
121 investment shall have met the requirements for investment under  
122 any other section of the Code, and the insurer has notified the com-  
123 missioner thereof.

1 SEC. 3. Acquisition of control of or merger with domestic insurer.

2 1. *Filing requirements.* No person other than the issuer shall  
3 make a tender offer for or a request or invitation for tenders of, or  
4 enter into any agreement to exchange securities for, seek to acquire,  
5 or acquire, in the open market or otherwise, any voting security of  
6 a domestic insurer if, after the consummation thereof, such person  
7 would, directly or indirectly, or by conversion or by exercise of any  
8 right to acquire, be in control of such insurer, and no person shall  
9 enter into an agreement to merge with or otherwise to acquire con-  
10 trol of a domestic insurer unless, at the time any such offer, request,  
11 or invitation is made or any such agreement is entered into, or prior  
12 to the acquisition of such securities if no offer or agreement is in-  
13 volved, such person has filed with the commissioner and has sent to  
14 such insurer, and such insurer has sent to its shareholders, a state-  
15 ment containing the information required by this section and such  
16 offer, request, invitation, agreement or acquisition has been approved

17 by the commissioner in the manner hereinafter prescribed.

18 *a. For purposes of this section:* a domestic insurer shall include  
19 any other person controlling a domestic insurer unless such other  
20 person is either directly or through its affiliates primarily engaged  
21 in business other than the business of insurance.

22 *2. Content of statement.* The statement to be filed with the com-  
23 missioner hereunder shall be made under oath or affirmation and  
24 shall contain the following information:

25 *a.* The name and address of each person by whom or on whose  
26 behalf the merger or other acquisition of control referred to in sub-  
27 section one (1) of this section is to be effected, hereinafter called  
28 "acquiring party".

29 (1) If such person is an individual, his principal occupation and  
30 all offices and positions held during the past five years, and any  
31 conviction of crimes other than minor traffic violations during the  
32 past ten years.

33 (2) If such person is not an individual, a report of the nature of  
34 its business operations during the past five years or for such lesser  
35 period as such person and any predecessors thereof shall have been  
36 in existence; an informative description of the business intended to  
37 be done by such person and such person's subsidiaries; and a list of  
38 all individuals who are or who have been selected to become direc-  
39 tors or executive officers of such person, or who perform or will  
40 perform functions appropriate to such positions. Such list shall  
41 include for each such individual the information required by sub-  
42 paragraph (1) of this subsection.

43 *b.* The source, nature and amount of the consideration used or to  
44 be used in effecting the merger or other acquisition of control, a  
45 description of any transaction wherein funds were or are to be  
46 obtained for any such purpose, and the identity of persons furnish-  
47 ing such consideration, provided, however, that where a source of  
48 such consideration is a loan made in the lender's ordinary course of  
49 business, the identity of the lender shall remain confidential, if the  
50 person filing such statement so requests.

51 *c.* Fully audited financial information as to the earnings and finan-  
52 cial condition of each acquiring party for the preceding five fiscal  
53 years of each such acquiring party, or for such lesser period as such  
54 acquiring party and any predecessors thereof shall have been in  
55 existence, and similar unaudited information as of a date not earlier  
56 than ninety days prior to the filing of the statement.

57 *d.* Any plans or proposals which each acquiring party may have to  
58 liquidate such insurer, to sell its assets or merge or consolidate it  
59 with any person, or to make any other material change in its business  
60 or corporate structure or management.

61 *e.* The number of shares of any security referred to in subsection  
62 one (1) of this section which each acquiring party proposes to  
63 acquire, and the terms of the offer, request, invitation, agreement, or  
64 acquisition referred to in subsection one (1) of this section, and a  
65 statement as to the method by which the fairness of the proposal  
66 was arrived at.

67 *f.* The amount of each class of any security referred to in sub-  
68 section one (1) of this section which is beneficially owned or con-

69 cerning which there is a right to acquire beneficial ownership by  
70 each acquiring party.

71 *g.* A full description of any contracts, arrangements or under-  
72 standings with respect to any security referred to in subsection  
73 one (1) of this section in which any acquiring party is involved,  
74 including but not limited to transfer of any of the securities, joint  
75 ventures, loan or option arrangements, puts or calls, guarantees of  
76 loans, guarantees against loss or guarantees of profits, division of  
77 losses or profits, or the giving or withholding of proxies. Such  
78 description shall identify the persons with whom such contracts,  
79 arrangements or understandings have been entered into.

80 *h.* A description of the purchase of any security referred to in  
81 subsection one (1) of this section during the twelve calendar months  
82 preceding the filing of the statement, by any acquiring party, includ-  
83 ing the dates of purchase, names of the purchasers, and consideration  
84 paid or agreed to be paid therefor.

85 *i.* A description of any recommendations to purchase any security  
86 referred to in subsection one (1) of this section made during the  
87 twelve calendar months preceding the filing of the statement, by any  
88 acquiring party, or by anyone based upon interview or at the sug-  
89 gession of such acquiring party.

90 *j.* Copies of all tender offers for, requests or invitations for tend-  
91 ers of, exchange offers for, and agreements to acquire or exchange  
92 any securities referred to in subsection one (1) of this section, and,  
93 if distributed, of additional soliciting material relating thereto.

94 *k.* The terms of any agreement, contract or understanding made  
95 with any broker-dealer as to solicitation of securities referred to in  
96 subsection one (1) of this section for tender, and the amount of any  
97 fees, commissions or other compensation to be paid to broker-dealers  
98 with regard thereto.

99 *l.* Such additional information as the commissioner may by rule  
100 or regulation prescribe as necessary or appropriate for the protec-  
101 tion of policyholders and securityholders of the insurer or in the  
102 public interest.

103 If the person required to file the statement referred to in subsec-  
104 tion one (1) of this section is a partnership, limited partnership,  
105 syndicate or other group, the commissioner may require that the  
106 information called for by paragraphs *a* through *l* of this subsection  
107 shall be given with respect to each partner of such partnership or  
108 limited partnership, each member of such syndicate or group, and  
109 each person who controls such partner or member. If any such  
110 partner, member or person is a corporation or the person required  
111 to file the statement referred to in subsection one (1) of this section  
112 is a corporation, the commissioner may require that the information  
113 called for by paragraphs *a* through *l* of this subsection shall be given  
114 with respect to such corporation, each officer and director of such  
115 corporation, and each person who is directly or indirectly the bene-  
116 ficial owner of more than ten percent of the outstanding voting  
117 securities of such corporation. If any material change occurs in the  
118 facts set forth in the statement filed with the commissioner and sent  
119 to such insurer pursuant to this section, an amendment setting forth  
120 such change, together with copies of all documents and other mate-

121 rial relevant to such change, shall be filed with the commissioner  
122 and sent to such insurer within two business days after the person  
123 learns of such change. Such insurer shall send such amendment to  
124 its shareholders.

125 3. *Alternative filing materials.* If any offer, request, invitation,  
126 agreement or acquisition referred to in subsection one (1) of this  
127 section is proposed to be made by means of a registration statement  
128 under the Securities Act of 1933 or in circumstances requiring the  
129 disclosure of similar information under the Securities Exchange Act  
130 of 1934, or under a state law requiring similar registration, or dis-  
131 closure, the person required to file the statement referred to in sub-  
132 section one (1) of this section may utilize such documents in fur-  
133 nishing the information called for by that statement.

134 4. *Approval by the commissioner: hearings.*

135 a. The commissioner shall approve any merger or other acquisi-  
136 tion of control referred to in subsection one (1) of this section  
137 unless, after a public hearing thereon, he finds any of the following:

138 (1) After the change of control the domestic insurer referred to  
139 in subsection one (1) of this section would not be able to satisfy the  
140 requirements for the issuance of a license to write the line or lines  
141 of insurance for which it is presently licensed.

142 (2) The effect of the merger or other acquisition of control would  
143 be substantially to lessen competition in insurance in this state or  
144 tend to create a monopoly therein.

145 (3) The financial condition of any acquiring party is such as  
146 might jeopardize the financial stability of the insurer, or prejudice  
147 the interest of its policyholders or the interests of any remaining  
148 securityholders who are unaffiliated with such acquiring party.

149 (4) The terms of the offer, request, invitation, agreement or ac-  
150 quisition referred to in subsection one (1) of this section are unfair  
151 and unreasonable to the securityholders of the insurer.

152 (5) The plans or proposals which the acquiring party has to liqui-  
153 date the insurer, sell its assets or consolidate or merge it with any  
154 person, or to make any other material change in its business or cor-  
155 porate structure or management, are unfair and unreasonable to  
156 policyholders of the insurer and not in the public interest.

157 (6) The competence, experience and integrity of those persons  
158 who would control the operation of the insurer are such that it would  
159 not be in the interest of policyholders of the insurer and of the public  
160 to permit the merger or other acquisition of control.

161 b. The public hearing referred to in paragraph a of this subsec-  
162 tion shall be held within thirty days after the statement required by  
163 subsection one (1) of this section is filed, and at least twenty days'  
164 notice thereof shall be given by the commissioner to the person filing  
165 the statement. Not less than seven days' notice of such public hear-  
166 ing shall be given by the person filing the statement to the insurer  
167 and to such other persons as may be designated by the commissioner.  
168 The insurer shall give such notice to its securityholders. The com-  
169 missioner shall make a determination within thirty days after the  
170 conclusion of such hearing. At such hearing, the person filing the  
171 statement, the insurer, any person to whom notice of hearing was  
172 sent, and any other person whose interests may be affected thereby

173 shall have the right to present evidence, examine and cross-examine  
174 witnesses, and offer oral and written arguments and in connection  
175 therewith shall be entitled to conduct discovery proceedings in the  
176 same manner as is presently allowed in the district court of this  
177 state. All discovery proceedings shall be concluded not later than  
178 three days prior to the commencement of the public hearing.

179 5. *Mailings to shareholders; payment of expenses.* All statements,  
180 amendments, or other material filed pursuant to subsections one (1)  
181 or two (2) of this section, and all notices of public hearings held pur-  
182 suant to subsection four (4) of this section, shall be mailed by the  
183 insurer to its shareholders within five business days after the insurer  
184 has received such statements, amendments, other material, or notices.  
185 The expenses of mailing shall be borne by the person making the  
186 filing. As security for the payment of such expenses, such person  
187 shall file with the commissioner an acceptable bond or other deposit  
188 in an amount to be determined by the commissioner.

189 6. *Exemptions.* The provisions of this section shall not apply to:  
190 a. Any offers, requests, invitations, agreements or acquisitions by  
191 the person referred to in subsection one (1) of this section of any  
192 voting security referred to in subsection one (1) of this section  
193 which, immediately prior to the consummation of such offer, request,  
194 invitation, agreement or acquisition, was not issued and outstanding.

195 b. Any offer, request, invitation, agreement or acquisition which  
196 the commissioner by order shall exempt therefrom for one of the  
197 following reasons:

198 (1) It has not been made or entered into for the purpose and does  
199 not have the effect of changing or influencing the control of a domes-  
200 tic insurer.

201 (2) It is otherwise not comprehended within the purposes of this  
202 section.

203 7. *Violations.* The following shall be violations of this section:

204 a. The failure to file any statement, amendment, or other material  
205 required to be filed pursuant to subsection one (1) or two (2) of this  
206 section.

207 b. The effectuation or any attempt to effectuate an acquisition of  
208 control of, or merger with, a domestic insurer unless the commis-  
209 sioner has given his approval thereto.

210 8. *Jurisdiction; consent to service of process.* The district court  
211 is hereby vested with jurisdiction over every person not resident,  
212 domiciled, or authorized to do business in this state who files a state-  
213 ment with the commissioner under this section, and over all actions  
214 involving such person arising out of violations of this section, and  
215 each such person shall be deemed to have performed acts equivalent  
216 to and constituting an appointment by such a person of the commis-  
217 sioner to be his true and lawful attorney upon whom may be served  
218 all lawful process, notice or demand in any action, suit or proceeding  
219 arising out of violations of this section. Copies of all such lawful  
220 process, notice or demand shall be served on the commissioner and  
221 transmitted by registered or certified mail by the commissioner to  
222 such person at his last known address.

1 SEC. 4. **Registration of insurers.**

2 1. *Registration.* Every insurer which is authorized to do business

3 in this state and which is a member of an insurance holding company  
4 system shall register with the commissioner, except a foreign insurer  
5 subject to disclosure requirements and standards adopted by statute  
6 or regulation in the jurisdiction of its domicile which are substan-  
7 tially similar to those contained in this section. Any insurer which  
8 is subject to registration under this section shall register within  
9 sixty days after the effective date of this Act or fifteen days after it  
10 becomes subject to registration, whichever is later, unless the com-  
11 missioner for good cause shown extends the time for registration,  
12 and then within such extended time. The commissioner may require  
13 any authorized insurer which is a member of a holding company  
14 system which is not subject to registration under this section to  
15 furnish a copy of the registration statement or other information  
16 filed by such insurance company with the insurance regulatory  
17 authority of domiciliary jurisdiction.

18 2. *Information and form required.* Every insurer subject to regis-  
19 tration shall file a registration statement on a form provided by the  
20 commissioner, which shall contain current information about:

21 a. The capital structure, general financial condition, ownership  
22 and management of the insurer and any person controlling the  
23 insurer.

24 b. The identity of every member of the insurance holding company  
25 system.

26 c. The following agreements in force, relationships subsisting, and  
27 transactions currently outstanding between such insurer and its  
28 affiliates:

29 (1) Loans, other investments, or purchases, sales or exchanges of  
30 securities of the affiliates by the insurer or of the insurer by its  
31 affiliates.

32 (2) Purchases, sales, or exchanges of assets.

33 (3) Transactions not in the ordinary course of business.

34 (4) Guarantees or undertakings for the benefit of an affiliate which  
35 result in an actual contingent exposure of the insurer's assets to lia-  
36 bility, other than insurance contracts entered into in the ordinary  
37 course of the insurer's business.

38 (5) All management and service contracts and all cost-sharing  
39 arrangements, other than cost allocation arrangements based upon  
40 generally accepted accounting principles.

41 (6) Reinsurance agreements covering all or substantially all of  
42 one or more lines of insurance of the ceding company.

43 d. Other matters concerning transactions between registered in-  
44 surers and any affiliates as may be included from time to time in any  
45 registration forms adopted or approved by the commissioner.

46 3. *Materiality.* No information need be disclosed on the registra-  
47 tion statement filed pursuant to subsection two (2) of this section  
48 if such information is not material for the purposes of this section.  
49 Unless the commissioner by rule, regulation or order provides other-  
50 wise, sales, purchases, exchanges, loans or extensions of credit, or  
51 investments, involving one-half of one percent or less of an insurer's  
52 admitted assets as of the thirty-first day of December next preceding  
53 shall not be deemed material for purposes of this section.

54 4. *Amendments to registration statements.* Each registered in-

55 surer shall keep current the information required to be disclosed in  
56 its registration statement by reporting all material changes or addi-  
57 tions on amendment forms provided by the commissioner within fif-  
58 teen days after the end of the month in which it learns of each such  
59 change or addition, provided, however, that subject to subsection  
60 three (3) of section five (5) of this Act, each registered insurer shall  
61 so report all dividends and other distributions to shareholders within  
62 two business days following the declaration thereof.

63 5. *Termination of registration.* The commissioner shall terminate  
64 the registration of any insurer which demonstrates that it no longer  
65 is a member of an insurance holding company system.

66 6. *Consolidated filing.* The commissioner may require or allow two  
67 or more affiliated insurers subject to registration hereunder to file a  
68 consolidated registration statement or consolidated reports amending  
69 their consolidated registration statement or their individual registra-  
70 tion statements.

71 7. *Alternative registration.* The commissioner may allow an in-  
72 surer which is authorized to do business in this state and which is  
73 part of an insurance holding company system to register on behalf  
74 of any affiliated insurer which is required to register under subsec-  
75 tion one (1) of this section and to file all information and material  
76 required to be filed under this section.

77 8. *Exemptions.* The provisions of this section shall not apply to  
78 any insurer, information or transaction if and to the extent that the  
79 commissioner by rule, regulation, or order shall exempt the same  
80 from the provisions of this section.

81 9. *Disclaimer.* Any person may file with the commissioner a dis-  
82 claimer of affiliation with any authorized insurer or such a disclaimer  
83 may be filed by such insurer or any member of an insurance holding  
84 company system. The disclaimer shall fully disclose all material  
85 relationships and basis for affiliation between such person and such  
86 insurer as well as the basis for disclaiming such affiliation. After a  
87 disclaimer has been filed, the insurer shall be relieved of any duty to  
88 register or report under this section which may arise out of the  
89 insurer's relationship with such person unless and until the commis-  
90 sioner disallows such a disclaimer. The commissioner shall disallow  
91 such a disclaimer only after furnishing all parties in interest with  
92 notice and opportunity to be heard and after making specific findings  
93 of fact to support such disallowance.

94 10. *Violations.* The failure to file a registration statement or any  
95 amendment thereto required by this section within the time specified  
96 for such filing shall be a violation of this section.

#### 1 SEC. 5. Standards.

2 1. *Transactions with affiliates.* Material transactions by registered  
3 insurers with their affiliates shall be subject to all of the following  
4 standards:

5 a. The terms shall be fair and reasonable.

6 b. The books, accounts and records of each party shall be so main-  
7 tained as to clearly and accurately disclose the precise nature and  
8 details of the transactions.

9 c. The insurer's surplus as regards policyholders following any  
10 dividends or distributions to shareholder affiliates shall be reasonable

11 in relation to the insurer's outstanding liabilities and adequate to its  
12 financial needs.

13 2. *Adequacy of surplus.* For purposes of this Act in determining  
14 whether an insurer's surplus as regards policyholders is reasonable  
15 in relation to the insurer's outstanding liabilities and adequate to  
16 its financial needs, the following factors, among others, shall be con-  
17 sidered:

18 a. The size of the insurer as measured by its assets, capital and  
19 surplus, reserves, premium writings, insurance in force and other  
20 appropriate criteria.

21 b. The extent to which the insurer's business is diversified among  
22 the several lines of insurance.

23 c. The number and size of risks insured in each line of business.

24 d. The extent of the geographical dispersion of the insurer's in-  
25 sured risks.

26 e. The nature and extent of the insurer's reinsurance program.

27 f. The quality, diversification, and liquidity of the insurer's in-  
28 vestment portfolio.

29 g. The recent past and projected future trend in the size of the  
30 insurer's surplus as regards policyholders.

31 h. The surplus as regards policyholders maintained by other com-  
32 parable insurers.

33 i. The adequacy of the insurer's reserves.

34 j. The quality and liquidity of investments in subsidiaries made  
35 pursuant to section two (2) of this Act. The commissioner may treat  
36 any such investment as a disallowed asset for purposes of determin-  
37 ing the adequacy of surplus as regards policyholders whenever in his  
38 judgment such investment so warrants.

39 3. *Dividends and other distributions.*

40 No insurer subject to registration under section four (4) of this  
41 Act shall pay any extraordinary dividend or make any other extraor-  
42 dinary distribution to its shareholders until either thirty days after  
43 the commissioner has received notice of the declaration thereof and  
44 has not within such period disapproved such payment, or the com-  
45 missioner shall have approved such payment within such thirty day  
46 period.

47 For purposes of this section, an extraordinary dividend or distri-  
48 bution includes any dividend or distribution of cash or other prop-  
49 erty, whose fair market value together with that of other dividends  
50 or distributions made within the preceding twelve months exceeds  
51 the greater of either ten percent of such insurer's surplus as regards  
52 policyholders as of the thirty-first day of December next preceding,  
53 or the net gain from operations of such insurer, if such insurer is a  
54 life insurer or the net investment income if such insurer is not a life  
55 insurer, for the twelve month period ending the thirty-first day of  
56 December next preceding, but shall not include pro rata distributions  
57 of any class of the insurer's own securities.

58 Notwithstanding any other provision of law, an insurer may de-  
59 clare an extraordinary dividend or distribution which is conditional  
60 upon the commissioner's approval thereof, and such a declaration  
61 shall confer no rights upon shareholders until either the commis-  
62 sioner has approved the payment of such dividend or distribution,

63 or the commissioner has not disapproved such payment within the  
64 thirty day period referred to above.

1     **SEC. 6. Examination.**

2     1. *Power of commissioner.* Subject to the limitation contained in  
3 this section and in addition to the powers which the commissioner  
4 has under chapter five hundred seven (507) of the Code relating to  
5 the examination of insurers, the commissioner shall also have the  
6 power to order any insurer registered under section four (4) of this  
7 Act to produce such records, books, or other information papers in  
8 the possession of the insurer or its affiliates as shall be necessary to  
9 ascertain the financial condition or legality of conduct of such in-  
10 surer. In the event such insurer fails to comply with such order, the  
11 commissioner shall have the power to examine such affiliates to obtain  
12 such information.

13     2. *Purpose and limitation of examination.* The commissioner shall  
14 exercise his power under subsection one (1) of this section only if  
15 the examination of the insurer under chapter five hundred seven  
16 (507) of the Code is inadequate or the interests of the policyholders  
17 of such insurer may be adversely affected.

18     3. *Use of consultants.* The commissioner may retain at the regis-  
19 tered insurer's expense such attorneys, actuaries, accountants and  
20 other experts not otherwise a part of the commissioner's staff as shall  
21 be reasonably necessary to assist in the conduct of the examination  
22 under subsection one (1) of this section. Any persons so retained  
23 shall be under the direction and control of the commissioner and shall  
24 act in a purely advisory capacity.

25     4. *Expenses.* Each registered insurer producing for examination  
26 records, books and papers pursuant to subsection one (1) of this  
27 section shall be liable for and shall pay the expense of such examina-  
28 tion in accordance with section five hundred seven point seven  
29 (507.7) of the Code.

1     **SEC. 7. Confidential treatment.**

2     All information, documents and copies thereof obtained by or dis-  
3 closed to the commissioner or any other person in the course of an  
4 examination or investigation made pursuant to section six (6) of  
5 this Act and all information reported pursuant to section four (4)  
6 of this Act, shall be given confidential treatment and shall not be  
7 subject to subpoena and shall not be made public by the commissioner  
8 or any other person, except to insurance departments of other states,  
9 without the prior written consent of the insurer to which it pertains  
10 unless the commissioner, after giving the insurer and its affiliates  
11 who would be affected thereby, notice and opportunity to be heard,  
12 determines that the interests of policyholders, shareholders or the  
13 public will be served by the publication thereof, in which event he  
14 may publish all or any part thereof in such manner as he may deem  
15 appropriate.

1     **SEC. 8. Rules and regulations.**

2     The commissioner may, upon notice and opportunity for all inter-  
3 ested persons to be heard, issue such rules, regulations, and orders  
4 as shall be necessary to carry out the provisions of this Act.

1     **SEC. 9. Injunctions; prohibitions against voting securities; se-**  
2     **questration of voting securities.**

3     1. *Injunctions.* Whenever it appears to the commissioner that any  
4 insurer or any director, officer, employee or agent thereof has com-  
5 mitted or is about to commit a violation of this Act or any rule, regu-  
6 lation, or order issued by the commissioner hereunder, the commis-  
7 sioner may apply to the district court of the county in which the  
8 principal office of the insurer is located or if such insurer has no  
9 such office in this state then to the district court of Polk County for  
10 an order enjoining such insurer or such director, officer, employee or  
11 agent thereof from violating or continuing to violate this Act or any  
12 such rule, regulation or order, and for such other equitable relief as  
13 the nature of the case and the interests of the insurer's policyholders,  
14 creditors and shareholders or the public may require.

15     2. *Voting of securities; when prohibited.* No security which is the  
16 subject of any agreement or arrangement regarding acquisition, or  
17 which is acquired or to be acquired, in contravention of the provi-  
18 sions of this Act or of any rule, regulation or order issued by the  
19 commissioner hereunder may be voted at any shareholders' meeting,  
20 or may be counted for quorum purposes, and any action of share-  
21 holders requiring the affirmative vote of a percentage of shares may  
22 be taken as though such securities were not issued and outstanding;  
23 but no action taken at any such meeting shall be invalidated by the  
24 voting of such securities, unless the action would materially affect  
25 control of the insurer or unless the district court has so ordered. If  
26 any insurer or the commissioner has reason to believe that any secu-  
27 rity of the insurer has been or is about to be acquired in contraven-  
28 tion of the provisions of this Act or of any rule, regulation or order  
29 issued by the commissioner hereunder the insurer or the commis-  
30 sioner may apply to the district court of Polk County or to the dis-  
31 trict court for the county in which the insurer has its principal place  
32 of business to enjoin any offer, request, invitation, agreement or  
33 acquisition made in contravention of section three (3) of this Act  
34 or any rule, regulation, or order issued by the commissioner there-  
35 under to enjoin the voting of any security so acquired, to void any  
36 vote of such security already cast at any meeting of shareholders,  
37 and for such other equitable relief as the nature of the case and the  
38 interests of the insurer's policyholders, creditors and shareholders  
39 or the public may require.

40     3. *Sequestration of voting securities.* In any case where a person  
41 has acquired or is proposing to acquire any voting securities in vio-  
42 lation of this Act or any rule, regulation or order issued by the  
43 commissioner hereunder, the district court of Polk County or the  
44 district court for the county in which the insurer has its principal  
45 place of business may, on such notice as the court deems appropriate,  
46 upon the application of the insurer or the commissioner seize or  
47 sequester any voting securities of the insurer owned directly or in-  
48 directly by such person, and issue such orders with respect thereto  
49 as may be appropriate to effectuate the provisions of this Act. Not-  
50 withstanding any other provisions of law, for the purposes of this  
51 Act the situs of the ownership of the securities of domestic insurers  
52 shall be deemed to be in this state.

1     **SEC. 10. Criminal proceedings.**

2     Whenever it appears to the commissioner that any insurer or any  
3 director, officer, employee or agent thereof has committed a willful  
4 violation of this Act, the commissioner may cause criminal proceed-  
5 ings to be instituted by the district court for the county in which the  
6 principal office of the insurer is located or if such insurer has no such  
7 office in the state, then by the district court of Polk County against  
8 such insurer or the responsible director, officer, employee or agent  
9 thereof. Any insurer which willfully violates this Act may be fined  
10 not more than one hundred dollars. Any individual who willfully  
11 violates this Act may be fined not more than one thousand dollars or,  
12 if such willful violation involves the deliberate perpetration of a  
13 fraud upon the commissioner, imprisoned not more than two years  
14 or both.

1     **SEC. 11. Receivership.**

2     Whenever it appears to the commissioner that any person has com-  
3 mitted a violation of this Act which so impairs the financial condition  
4 of a domestic insurer as to threaten insolvency or make the further  
5 transaction of business by it hazardous to its policyholders, creditors,  
6 shareholders or the public, then the commissioner may proceed as  
7 provided in section five hundred five point nine (505.9) of the Code to  
8 take possession of the property of such domestic insurer and to con-  
9 duct the business thereof.

1     **SEC. 12. Revocation, suspension, or nonrenewal of insurer's li-**  
2 **cence.**

3     Whenever it appears to the commissioner that any person has com-  
4 mitted a violation of this Act which makes the continued operation  
5 of an insurer contrary to the interest of policyholders or the public,  
6 the commissioner may, after giving notice and an opportunity to be  
7 heard, determine to suspend, revoke or refuse to renew such insurer's  
8 license or authority to do business in this state for such period as he  
9 finds is required for the protection of policyholders or the public.  
10 Any such determination shall be accompanied by specific findings of  
11 fact and conclusions of law.

1     **SEC. 13. Judicial review; mandamus.**

2     1. Any person aggrieved by any Act, determination, rule, regula-  
3 tion or order or any other action of the commissioner pursuant to  
4 this Act may appeal therefrom to the district court of Polk County.  
5 The court shall conduct its review without a jury and by trial *de novo*,  
6 except that if all parties, including the commissioner, so stipulate,  
7 the review shall be confined to the record. Portions of the record  
8 may be introduced by stipulation into evidence in a trial *de novo* as  
9 to those parties so stipulating.

10    2. The filing of an appeal pursuant to this section shall stay the  
11 application of any rule, regulation, order or other action of the com-  
12 missioner to the appealing party unless the court, after giving such  
13 party notice and an opportunity to be heard, determines that such a  
14 stay would be detrimental to the interests of policyholders, share-  
15 holders, creditors or the public.

16    3. Any person aggrieved by any failure of the commissioner to act

17 or make a determination required by this Act may petition the dis-  
18 trict court of Polk County for a writ in the nature of a mandamus or  
19 a peremptory mandamus directing the commissioner to act or make  
20 such determination forthwith.

Approved April 14, 1970.

## CHAPTER 1250

### LICENSING INSURANCE AGENTS

#### H. F. 231

AN ACT relating to the licensing of insurance agents in Iowa.

*Be It Enacted by the General Assembly of the State of Iowa:*

1 SECTION 1. Section five hundred twenty-two point one (522.1),  
2 Code 1966, is hereby amended by striking from lines six (6) and  
3 seven (7) the words "other than fraternal beneficiary associations,"  
4 and inserting in lieu thereof the following: "unless exempt from the  
5 provisions of this chapter by reason of section five hundred twelve  
6 point thirty-three (512.33) of the Code, and".

1 SEC. 2. Section five hundred twelve point thirty-three (512.33),  
2 Code 1966, is hereby amended by striking all of said section and in-  
3 serting in lieu thereof the following:

4 Such associations may employ agents in the soliciting or procuring  
5 of new members and such agents shall be subject to the provisions of  
6 chapter five hundred twenty-two (522) of the Code. The term "agent"  
7 as used in this section means any authorized or acknowledged agent of  
8 a society who acts as such in the solicitation, negotiation or procure-  
9 ment or making of a life insurance, accident and health insurance or  
10 annuity contract. Notwithstanding the above definition of the term  
11 "agent", a society may appoint one individual to act as an agent for  
12 each lodge, or other subordinate unit by whatever name known, of the  
13 society and licensing under chapter five hundred twenty-two (522)  
14 shall not be required of such individual so long as the life insurance  
15 contracts solicited and procured by such individual do not exceed  
16 twenty-five thousand dollars in any calendar year, or, in the case of  
17 any other kind or kinds of insurance which the society is authorized  
18 to write, on the persons of more than twenty-five individuals in any  
19 calendar year. Licensing in accordance with chapter five hundred  
20 twenty-two (522) shall be required on and after the effective date of  
21 this Act. Any examination which may be required under the provis-  
22 ions of said chapter five hundred twenty-two (522) shall not be  
23 applicable to any agent of a society who is in the service of a society  
24 on the effective date of this Act, and who on said date is authorized  
25 to represent a fraternal beneficiary society. The provisions of said  
26 chapter five hundred twenty-two (522) shall not apply to the member  
27 representatives of any society organized or licensed under this chap-  
28 ter which insures its members against death, dismemberment and